



## **Liquidity Ratios Disclosure**

**As at 31 March 2022**

## **Executive Summary**

The purpose of the disclosure is to enable market participants to compare the liquidity of banks across jurisdictions and to improve consistency and ease of use of disclosures relating to liquidity ratios.

In August 2018, the Central Bank of Bahrain issued its regulations on Liquidity Risk Management (Module LM). The module mandates that banks must adequately manage their assets and liabilities to create strong short-term resilience to be able to sufficiently meet the Bank's net cash outflows within 30 days (LCR), and promoting banks to rely on funding from stable sources and long-term borrowing in order to reduce the risks of disruptions which might impact the bank's liquidity position (NSFR).

The format and the level of disclosure in the attached report is dictated by the Central Bank of Bahrain (CBB) and reflects a proforma issued by the Central Bank.

## Consolidated Liquidity Coverage Ratio as of 31 March 2022

In August 2018, the Central Bank of Bahrain issued its regulations on Liquidity Risk Management (Module LM). The module mandates that banks must adequately manage their assets and liabilities to create strong short-term resilience and a sufficient ability to meet the bank's net cash outflows within 30 days.

As per CBB Module LM, banks are required to meet the minimum LCR of at least 100% on a daily basis. This ratio was relaxed to 80% due to the pressures within the banking sector following the COVID pandemic. However, NBB Group still seeks to maintain the original higher 100% requirement. Below is National Bank of Bahrain's consolidated LCR disclosure as of 31 March 2022:

| Consolidated LCR                  |   | BD '000                                       |   |
|-----------------------------------|---|---|---|
|                                   |   | Total unweighted value (average) <sup>1</sup> | Total weighted value (average) <sup>1</sup> |
| <b>High-Quality Liquid Assets</b> |   |   |   |
| 1                                 | Total HQLA  |   | 1,424,497                                   |
| <b>Cash Outflows</b>              |   |   |   |
| 2                                 | <b>Retail deposits and deposits from small business customers, of which:</b>            |   |   |
| 3                                 | Stable deposits   | 288,203                                       | 8,646                                       |
| 4                                 | Less stable deposits <sup>2</sup>   | 1,393,725                                     | 139,373                                     |
| 5                                 | <b>Unsecured wholesale funding, of which:</b>   |   |   |
| 6                                 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | -   | -   |
| 7                                 | Non-operational deposits (all counterparties)   | 1,271,805                                     | 715,008                                     |
| 8                                 | Unsecured debt  | -   | -   |
| 9                                 | <b>Secured wholesale funding</b>  |   | 3,463                                       |
| 10                                | <b>Additional requirements, of which:</b>   |   |   |
| 11                                | Outflows related to derivative exposures and other collateral requirements              | -   | -   |
| 12                                | Outflows related to loss of funding on debt products                                    | -   | -   |
| 13                                | Credit and liquidity facilities   | 268,281                                       | 32,061                                      |
| 14                                | <b>Other contractual funding obligations</b>  | -   | -   |
| 15                                | <b>Other contingent funding obligations</b>   | 741,363                                       | 37,068                                      |
| 16                                | Total cash outflows   |   | 935,619                                     |
| <b>Cash Inflows</b>               |   |   |   |
| 17                                | Secured lending (eg reverse repos)  | 32,616  | 3,806                                       |
| 18                                | Inflows from fully performing exposures   | 550,588                                       | 382,280                                     |
| 19                                | Other cash inflows  | 8,067   | 8,067                                       |
| 20                                | Total cash inflows  | 591,271                                       | 394,154                                     |
|                                   |   |   | <b>Total adjusted value</b>                 |
| 21                                | <b>Total HQLA</b>   |   | 1,424,497                                   |
| 22                                | <b>Total net cash outflows <sup>1</sup></b>   |   | 524,899                                     |
| 23                                | <b>Liquidity coverage ratio (%) <sup>1</sup></b>  |   | 269%  |

1. Figures based on simple daily average of working days during the quarter, as per CBB Module LM.

2. Includes retail and SME deposits from the bank's overseas branches.

## Consolidated Net Stable Funding Ratio as of 31 March 2022

In August 2018, the Central Bank of Bahrain issued its regulations on Liquidity Risk Management (Module LM). The main objective of the NSFR is to promote the resilience of the banking system by improving the funding profile of banks by ensuring they have sufficient level of stable funding in relation to their assets and commitments. The NSFR thus promotes banks to rely on funding from stable sources and long-term borrowing in order to reduce the risks of disruptions which might impact the bank's liquidity position.

As per CBB Module LM, banks are required to meet the minimum NSFR of at least 100% on a continuous basis. This ratio was relaxed to 80% due to the pressures within the banking sector following the COVID pandemic, However, NBB Group still seeks to maintain the original higher 100% requirement.

The main drivers behind the Group's strong available stable funding (ASF) are the healthy capital base (18% of the Group's ASF), large deposits portfolio with strong contributions from the retail and small business sectors (66% of the Group's ASF) and the sizable corporate and sovereign deposits (16% of the Group's ASF). The majority of the Group's investment security portfolio is classified as high-quality liquid assets (HQLA). The Group's HQLA securities accounted for 28% of the Group's required stable funding (RSF) before applying the relevant weights. Lending provided to financial institutions in the form of loans or placements was predominantly short-term in nature, which required a lower level of required funding, with 94% of total lending provided to financial institutions being in the 0-6 months maturity bucket

Further details on the calculation of NSFR is presented in the following table:

| BD '000                         |   |   |                    |   |               |                      |
|---------------------------------|---|---|--------------------|---|---------------|----------------------|
| No.                             | Item  | Unweighted Values (before applying factors) |                    |   |               | Total Weighted Value |
|                                 |   | No Specified Maturity                       | Less than 6 months | More than 6 months and less than one year | Over one year |                      |
| Available Stable Funding (ASF): |   |   |                    |   |               |                      |
| 1                               | Capital:  |   |                    |   |               |                      |
| 2                               | Regulatory Capital  | 567,626                                     | -                  | -   | 25,304        | 592,929              |
| 3                               | Retail Deposits and deposits from small business customers:   |   |                    |   |               |                      |
| 4                               | Stable deposits   | -   | 593,763            | 8,177                                     | 1,232         | 573,075              |
| 5                               | Less stable deposits:   | -   | 1,599,735          | 130,241                                   | 16,270        | 1,573,248            |
| 6                               | Wholesale funding:  |   |                    |   |               |                      |
| 7                               | Other wholesale funding   | -   | 1,420,261          | 256,519                                   | 22,367        | 504,077              |
| 8                               | Other liabilities:  |   |                    |   |               |                      |
| 9                               | All other liabilities not included in the above categories  | -   | 99,901             | -   | 8,471         | 8,471                |
| 10                              | Total ASF   |   |                    |   |               | 3,251,800            |
| Required Stable Funding (RSF):  |   |   |                    |   |               |                      |
| 11                              | Total NSFR high-quality liquid assets (HQLA)  |   |                    |   |               | 74,257               |
| 12                              | Performing loans and securities:  |   |                    |   |               |                      |
| 13                              | Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions                               | -   | 366,792            | 4,544                                     | 17,071        | 74,362               |
| 14                              | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which: | -   | 415,711            | 118,572                                   | 1,557,532     | 1,591,044            |
| 15                              | -With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines  | -   | -                  | -   | 91,616        | 59,551               |
| 16                              | Performing residential mortgages, of which:   | -   | -                  | -   | -             | -                    |
| 17                              | -With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio guidelines  | -   | -                  | -   | 58,164        | 37,806               |
| 18                              | Securities that are not in default and do not qualify as HQLA, including exchange-traded equities   | -   | -                  | 165,703                                   | 43,745        | 122,524              |
| 19                              | Other Assets:   |   |                    |   |               |                      |
| 20                              | NSFR derivative assets  |   | 1,711              | -   | -             | 1,711                |
| 21                              | All other assets not included in the above categories   | 336,921                                     | -                  | -   | -             | 336,921              |
| 22                              | OBS items   |   | -                  | -   | -             | 50,482               |
| 23                              | Total RSF   |   |                    |   |               | 2,348,657            |
| 24                              | NSFR %  |   |                    |   |               | 138%                 |

BD '000